

VZCZCXYZ0006
OO RUEHWEB

DE RUEHBU #0071/01 0391433
ZNY CCCCC ZZH
O R 041614Z FEB 10 (CCY ADX1C30B8 ICTOQ0621-623)
FM AMEMBASSY BUENOS AIRES
TO RUEHC/SECSTATE WASHDC IMMEDIATE 0436
INFO MERCOSUR COLLECTIVE
RHEBAAA/DEPT OF ENERGY WASHINGTON DC
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC
RHMFISS/DEPT OF JUSTICE WASHINGTON DC
RUEAIIA/CIA WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUEHLO/AMEMBASSY LONDON 0027
RUMIESS/SOUTHCOM IESS MIAMI FL

C O N F I D E N T I A L BUENOS AIRES 000071

C O R R E C T E D C O P Y - ADDED AMEMBASSY LONDON AS ADDITIONAL
ADDRESSEE.

SIPDIS
DEPT OF ENERGY FOR MANOLIS PRIONIOTAKIS

E.O. 12958: DECL: 2020/02/04
TAGS: [ECON](#) [EFIN](#) [PREL](#) [PGOV](#) [ENRG](#) [AR](#)
SUBJECT: Argentina: Saber Rattling over Oil Exploration in the
Falklands

CLASSIFIED BY: Tom Kelly, DCM; REASON: 1.4(B), (D)

Summary

¶1. (C) This is the first in a series of cables which will address
the Argentine reaction to hydrocarbons-related activities in the
Falklands/Malvinas islands.

¶2. (C) The GoA is reportedly hardening its policy on the
Falkland/Malvinas Islands in response to accelerating oil
exploration efforts under British authority that lack Argentine
participation or consent. According to local press reports, the
Foreign Ministry has created a plan to press Argentina's historic
claim to the islands which involves expressing displeasure to the
UK, to any companies involved, and to the governments of the
companies' home countries. This could involve the USG, since an
American supplier is sending a drilling rig to the islands. These
steps follow a 2007 resolution which threatens to cut off the
Argentine operations of any oil company that operates in the
Falklands without GoA permission. British diplomats in Argentina
are not sure how far the GoA will take these threats, and do not
rule out an "irrational" response. At present, no U.S. energy
company operating in Argentina appears to be considering activity
in the Falklands. End Summary.

Keep Your Oil Equipment Away from Our Islands

¶3. (SBU) Argentine press reports on January 27 state that the
Argentine Foreign Ministry (MFA) has developed a plan to resist oil
exploration in the Falklands/Malvinas islands located to the east
of southern Argentina, a territory claimed by the Argentines and
the British, but controlled by the British. British firm Desire
Petroleum is reportedly moving a drilling rig to the area to drill
exploratory wells. The GoA plans to assert that "any hydrocarbons
operation in the Malvinas area linked to the UK is 'illegal'
because, by authorizing it, the UK government is assuming
competency in areas of the continental shelf which are subject to
Argentine jurisdiction and sovereignty." The GoA has reportedly
planned three courses of action: a formal protest to the UK;
sending "notes of discouragement" to each company involved in such
activities, advising them that their actions are "illegal" and they
could therefore face legal sanctions; and, in the case where

companies are not British, sending protest notes to the corresponding government(s) signaling GoA concern over the "illegal" activities and noting possible sanctions. The USG could receive a note under the third category because the U.S. firm Diamond Drilling owns a drilling rig en route to the islands (and expected to be in place by mid-February).

¶4. (SBU) The above GoA policy would be consistent with Energy Secretariat Resolution 407 issued in 2007, which threatens to terminate the Argentine activities (including the cancellation of all energy concessions) of any company that operates in the Falklands area without express GoA permission. Energy analyst Daniel Gerold sees little chance of GoA sanctions against companies while the process remains in the exploration stage. However, in the event of a significant hydrocarbons discovery (either petroleum or natural gas, which he believes is more likely), Gerold foresees the GoA making it "a major issue," as more companies become involved in the extraction process -- and as the GoA perceives it is missing out on a significant revenue stream.

What Next? Brits Concerned

¶5. (C) Argentina launched the first diplomatic shot across the British bow on February 2; British diplomats in Argentina confirmed to EconOff that the GoA delivered a formal protest to their ChargC that afternoon. UK political Officers Lynda St Cooke and Oliver Moss (the latter a former Shell Oil employee) previously told EconOff January 28 that, while such a protest was expected and routine (they receive numerous Falklands-related communications

from the GoA each year), they were still concerned over where GoA actions might lead. Their concern is over the shape of future sanctions on companies as well as threats and protests against energy companies operating in the Falklands by NGOs, including environmental activists.

¶6. (C) On possible sanctions, St Cooke believes that the GoA will seek to "make an example" of a company if possible, and she wondered what would happen if the first company to cross the "line in the sand" were one with significant activities in Argentina. She cited Schlumberger as an example of a company which could provide services for oil extraction in the Falklands, given its extensive global operations, including within Argentina. She noted that stopping its Argentine operations would be very detrimental to Argentine hydrocarbons production. While pursuing such an action would be "irrational" for the GoA, she said, "We can't rule it out." She added that this is a very one-sided issue in Argentina. Since there are virtually no advocates for relinquishing Argentina's claim to the islands, which is taught as sacred writ to Argentine children beginning in elementary school, there could be significant political pressure on the GoA to take action in case of an oil discovery. Gerold agreed and suggested that, following a significant hydrocarbon find, the GoA would quickly seek to begin operations in its (undisputed) Exclusive Economic Zone (EEZ) as close as possible to the location of the find.

¶7. (SBU) U.S. companies currently operating in Argentina have not indicated an interest to participate in current exploration activities near the Falklands; Randy Smith, ExxonMobil's Public and Government Affairs Manager, told Econoff January 29 that his company is not interested..

Comment

¶8. (C) Although the budget-strapped Argentine military is

ill-prepared for any course of action involving projection of power, the GoA would likely feel compelled by a significant hydrocarbon find to press Argentina's historic claims by any other possible means. A strategy of tough talk, complaints in international fora, and protest letters is likely, with economic sanctions against participating companies possible, even if they might damage Argentina's own hydrocarbons output.

MARTINEZ